

**SUBJECT: FINANCIAL ASSISTANCE BUDGET REVIEW AND COST ANALYSIS AND
A-133 AUDIT REQUIREMENTS (OTHER THAN SBIR/STTR AWARDS)**

1. Purpose: To provide guidance on conducting a budget review or cost analysis of financial assistance awards (other than SBIR/STTR awards).
2. Effective Date: Upon issuance.
3. Reference: DOE Financial Assistance Regulations, 10 CFR Part 600.145
The DOE Guide to Financial Assistance
3. Applicability: This procedure applies to all CH financial assistance awarding activities.
4. Supersedes: N/A
5. Policy: Contracting Officers are responsible for conducting a budget review or cost analysis for each action to determine that the proposed activities in a financial assistance application will be supported by adequate resources and that the proposed costs are allowable, allocable, and reasonable.
6. Background: Effective October 1, 2005, all applications for DOE financial assistance are required to be submitted through Grants.Gov, a web-based tool designed for all customers of Federal financial assistance to electronically apply for awards using a standard application format for all Federal agencies. Contract Specialists and Contracting Officers are not to require submission of additional budget explanation information beyond that which is required in the Funding Opportunity Announcement.
7. Procedure: In light of the new Grants.Gov requirements, DOE Contracting Officers will implement the budget review and cost analysis requirements found in the above referenced financial assistance regulations by using the guidance stated below.

BUDGET REVIEW/COST ANALYSIS

Prior to award of an action, the Contracting Officer should conduct a budget review which includes verifying cost data, evaluating specific elements of the budget, and examining data to determine allowability, allocability, and reasonableness. Previously, to aid in the budget review, the Contracting Officer required the applicant to submit a Budget Explanation that itemized proposed costs and specified the basis for each cost element. However, the new Grants.Gov requirements only requires the applicant to submit a budget justification in which the basis of proposed costs is not mandatory.

To implement the guidance in the Financial Assistance Regulations and the DOE Guide to Financial Assistance, the following resources will be used to conduct budget reviews:

- A-133 Audits, which include review of the applicant's financial statements and business systems to determine whether or not the applicant has adequate internal controls, and that expenditure of Federal funds are in accordance with Federal laws and regulations;
- The financial assistance application submitted via Grants.Gov;
- Federally-negotiated indirect cost and fringe benefit rates;
- General knowledge of the applicant;
- DOE's business experience with the applicant; and
- The technical evaluation of the proposed costs.

If circumstances warrant (e.g., costs appear to be unallocable/unallowable, large dollar awards with commercial organizations, formal cost sharing is required), the Contracting Officer may request additional supporting budgetary information, at his or her discretion, to conduct a detailed cost analysis.

A-133 AUDIT REQUIREMENTS

In addition to being used in conducting budget reviews, the A-133 Audit is required of all States, Local Governments, and Non-Profit Organizations that expend over \$500,000 in Federal funds in any year¹. In accordance with the Guide to Financial Assistance, the applicant is to be screened *prior to award* for submission of the A-133 audit, questioned costs, qualified or adverse opinions, and corrective action plans and their resolution. Additionally, the A-133 audit should be checked *during the project period*, i.e., for all funding awards, including continuations and revisions. (See Attachment A, A-133 Audit Instructions.)

¹*Beginning with 2004 audit year submissions, the threshold is \$500,000.00 or more in a year in Federal awards to have an audit conducted in accordance with OMB Circular A-133. For audit years 1997-2003, the threshold is \$300,000.00 or more per year.*

Awardees that expend less than \$500,000 (\$300,00 for audit years 1997 -2003) a year in Federal funds are exempt from Federal audit requirements for that year, except as noted in Subpart B, Section ____ .205 of the Circular, but the awardees' records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity, and General Accounting Office (GAO).

SPECIAL TERMS AND CONDITIONS

Based upon the budget review of the applicant's proposed costs and A-133 audit findings and/or corrective action plans, special terms and conditions should be considered to ensure that funding is properly used and all audit requirements are met. (See Attachment B, A-133 Audit Special Terms and Conditions.)

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ATTACHMENT A**A-133 Audit -- Use of Federal Audit Clearinghouse**

Prior to award of a funding action, the Contracting Officer will consider findings from the applicant's most recent A-133 audit. Access the Federal Audit Clearinghouse website at (<http://harvester.census.gov/sac/>). The following specific audit information should be reviewed. [Note: The Contract Specialist does not have to include a copy of the Audit Clearinghouse document in the award file.]

a. Instructions for A-133 Audit Reports For Fiscal Period End Dates January 1, 2002 thru December 31, 2003.

- 1) If Part III, block no. 1. indicates an "Unqualified" opinion, Part III, block no. 5. indicates that there are no reportable conditions disclosed for any major programs, and Part III, block no. 7. indicates there are no known questioned costs, then no further action is required and the Contract Specialist may proceed with the award.
- 2) If Part III, block no. 1. indicates an "Unqualified" opinion, Part III, block no. 5. indicates that there are reportable conditions disclosed for any major programs, and Block no. 6. indicates there are no material weaknesses, then no further action is required and the Contract Specialist may proceed with the award.
- 3) If Part III, block no. 1. indicates an "Unqualified" opinion, Part III, block no. 5. indicates that there *are* reportable conditions disclosed for any major programs, and Block no. 6. indicates there *are* material weaknesses, the Contract Specialist must refer to Part III, block nos. 10.a. and 11.a. to determine whether there are any audit findings pertaining to any DOE awards, i.e., awards assigned a CFDA number beginning with the number "81." If there are no audit findings applicable to DOE's CFDA number(s) identified in block no. 11.a., no further action is required by the Contract Specialist with respect to the audit findings and the Contract Specialist may proceed with the award. If there are audit findings identified in block no. 11.a. associated with DOE's CFDA number, the Contract Specialist should coordinate with CRA, if necessary, to determine the appropriate action to be taken by the Contracting Officer prior to awarding the agreement.
- 4) If Part III, block no. 1. indicates a "Qualified Opinion", "Adverse Opinion" or "Disclaimer of Opinion", and block no. 5. indicates that there are reportable conditions disclosed for any major program and Block no. 6. indicates there are material weaknesses, the Contract Specialist must refer to Part III, block nos. 10.a. and 11.a. to determine whether there are any audit findings pertaining to any DOE awards, i.e. awards assigned a CFDA number beginning with the number "81". If there are no audit findings applicable to DOE's CFDA number(s) in block no. 11.a., no further action is required by the Contract Specialist with respect to the audit findings and the Contract Specialist may proceed with the award. If there are audit findings in block no. 11.a. associated with DOE's CFDA number, the Contract Specialist should coordinate with CRA, if necessary, to determine the appropriate action to be taken by the Contracting Officer prior to awarding the agreement.

b. Instructions for A-133 Audit Reports For Fiscal Period End Dates On or After January 1, 2004.

- 1) If Part III, block no. 4. indicates that there are no reportable conditions disclosed for any major programs, then no further action is required and the Contract Specialist may proceed with award.
- 2) If Part III, block no. 4. indicates that there are reportable conditions disclosed for any major programs and block no. 5. indicates there are no material weaknesses, the Contract Specialist may proceed with the award.
- 3) If Part III, block no. 4. indicates that there are reportable conditions disclosed for any major programs and block no. 5. indicates there are material weaknesses, the Contract Specialist must refer to Part III, block nos. 9.a. and 10.a. to determine whether there are any audit findings pertaining to any DOE awards, i.e., awards assigned a CFDA number beginning with the number "81". If there are no audit findings applicable to DOE's CFDA number(s) in block no. 10.a., no further action is required by the Contract Specialist with respect to audit findings and the Contract Specialist may proceed with the award. If there are audit findings in block no. 10.a. associated with DOE's CFDA number, the Contract Specialist should determine the type of audit report issued under Part III no. 9.h. If unqualified, the Contract Specialist may proceed with the award. If other than unqualified, the Contract Specialist should coordinate with CRA, if necessary, to determine the appropriate action to be taken by the Contracting Officer prior to awarding the agreement.

ATTACHMENT B

A-133 Audit Special Terms and Conditions

Based upon the budget review of the applicant's proposed costs and A-133 audit findings and/or corrective action plans, the following special terms and conditions should be incorporated in the award document if deemed necessary, e.g., if recommended by CRA.

- For A-133 Audits with findings:

Financial Management and Responsibility

As reflected in the Federal Audit Clearinghouse, your latest A-133 Audit Report has revealed significant findings and/or delinquent corrective actions. Failure to resolve these findings will result in the Department taking enforcement actions which may include temporarily withholding final payment on this and other awards with DOE, disallowing costs associated with this and other awards with DOE, maintaining adverse financial management information for consideration in making future awards, and/or withholding future awards. To avoid such enforcement action, please submit a corrective action plan or evidence of implemented corrective actions to the Federal Audit Clearinghouse within sixty days of the date of this award, with two copies to the DOE Award Administrator in Block 12 of the Notice of Financial Assistance Award.

- A-133 Audit is not submitted or the Audit for the prior FY is delinquent by 2 years:

Financial Management and Responsibility

All States, Local Governments, and Non-Profit Organizations that expend over \$500,000.00 in Federal funds in any year are required to have a single audit conducted in accordance with the Office of Management and Budget (OMB) Circular A-133. The recipient is responsible for ensuring that the audit is completed and submitted to the Federal Audit Clearinghouse within nine (9) months of the end of the recipient's fiscal year. The records of the Federal Audit Clearinghouse reflects that your organization has not submitted an audit for Fiscal Year(s)_____.

Failure to submit the audit report(s) will result in the Department taking enforcement actions which may include temporarily withholding final payment on this and other awards with DOE, disallowing costs associated with this and other awards with DOE, maintaining adverse financial management information for consideration in making future awards, and/or withholding future awards. To avoid such enforcement action, please submit the delinquent audit report(s) and/or a status report to the Federal Audit Clearinghouse within sixty days of the date of this award, with two copies to the DOE Award Administrator in Block 12 of the Notice of Financial Assistance Award.

Note to Specialist: For corrective action plans and status reports received, include a copy in the recipient's General File and send a copy to CRA.